

**REPORT OF THE AUDIT OF THE  
LEWIS COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LEWIS COUNTY FISCAL COURT**

**June 30, 2010**

The Auditor of Public Accounts has completed the audit of the Lewis County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Lewis County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$3,980,330 as of June 30, 2010. The fiscal court had unrestricted net assets of \$301,140 in its governmental funds as of June 30, 2010, with total net assets of \$3,966,857. In its business-type activities, total net cash and cash equivalents were \$13,473 with total net assets of \$13,473. The fiscal court had total debt principal as of June 30, 2010 of \$5,483,062 with \$1,121,242 due within the next year.

#### **Report Comment:**

2010-01 The Jailer Or Supervisor Should Review And Approve All Timesheets

#### **Deposits:**

The fiscal court's deposits as of August 31, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$162,077

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Steven Applegate, Former Lewis County Judge/Executive

Honorable Thomas H. Massie, Lewis County Judge/Executive

Members of the Lewis County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lewis County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Lewis County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

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Members of the Lewis County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2011 on our consideration of Lewis County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, which discusses the following report comment:

2010-01 The Jailer Or Supervisor Should Review And Approve All Timesheets

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen  
Auditor of Public Accounts

March 22, 2011



LEWIS COUNTY OFFICIALS

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Steven D. Applegate	County Judge/Executive
Milt Stanfield	Magistrate
Paul Bruce Swearingen	Magistrate
Joe Bentley	Magistrate

**Other Elected Officials:**

Clayton G. Lykins, Jr.	County Attorney
Tim Underwood	Jailer
Glenda K. Himes	County Clerk
Kathy Hardy	Circuit Court Clerk
William Lewis	Sheriff
Anthony Silvey	Property Valuation Administrator
Tony Gaydos	Coroner

**Appointed Personnel:**

Kathy Dillow	County Treasurer
Greta May	Finance Officer

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**LEWIS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**LEWIS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 301,140	\$ 13,473	\$ 314,613
Total Current Assets	<u>301,140</u>	<u>13,473</u>	<u>314,613</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	512,900		512,900
Buildings	5,933,150		5,933,150
Other Equipment	305,192		305,192
Vehicles and Equipment	665,054		665,054
Infrastructure	<u>1,732,483</u>		<u>1,732,483</u>
Total Noncurrent Assets	<u>9,148,779</u>		<u>9,148,779</u>
Total Assets	<u>9,449,919</u>	<u>13,473</u>	<u>9,463,392</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations	911,242		911,242
Revenue Bonds	<u>210,000</u>		<u>210,000</u>
Total Current Liabilities	<u>1,121,242</u>		<u>1,121,242</u>
Noncurrent Liabilities:			
Financing Obligations	86,820		86,820
Revenue Bonds	<u>4,275,000</u>		<u>4,275,000</u>
Total Noncurrent Liabilities	<u>4,361,820</u>		<u>4,361,820</u>
Total Liabilities	<u>5,483,062</u>		<u>5,483,062</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,665,717		3,665,717
Unrestricted	<u>301,140</u>	<u>13,473</u>	<u>314,613</u>
Total Net Assets	<u>\$ 3,966,857</u>	<u>\$ 13,473</u>	<u>\$ 3,980,330</u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**

**LEWIS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,492,432	\$ 115,153	\$ 179,672	\$
Protection to Persons and Property	1,198,996	557,958	95,815	
General Health and Sanitation	189,978	28,299	15,727	5,001
Recreation and Culture	35,648			
Roads	1,849,741		1,793,188	
Interest on Long-term Debt	233,246			
Total Governmental Activities	5,000,040	701,410	2,084,402	5,001
Business-type Activities:				
Jail Canteen	23,769	30,975		
Total Business-type Activities	23,769	30,975		
Total Primary Government	\$ 5,023,809	\$ 732,385	\$ 2,084,402	\$ 5,001

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Insurance License Fee  
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**LEWIS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,197,607)	\$	\$ (1,197,607)
(545,223)		(545,223)
(140,951)		(140,951)
(35,648)		(35,648)
(56,553)		(56,553)
(233,246)		(233,246)
(2,209,227)		(2,209,227)
	7,206	7,206
	7,206	7,206
(2,209,227)	7,206	(2,202,021)
600,583		600,583
16,143		16,143
76,054		76,054
516,910		516,910
41,817		41,817
47,001		47,001
511,041		511,041
4,012	26	4,038
1,813,561	26	1,813,587
(395,666)	7,232	(388,434)
4,362,523	6,241	4,368,764
\$ 3,966,857	\$ 13,473	\$ 3,980,330

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

**LEWIS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 95,728	\$ 172,821	\$ 5,506	\$ 1,730
Total Assets	<u>95,728</u>	<u>172,821</u>	<u>5,506</u>	<u>1,730</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	3,978	47,739	7,750	
Unreserved:				
General Fund	91,750			
Special Revenue Funds		125,082	(2,244)	
Debt Service Fund				1,730
Total Fund Balances	<u>\$ 95,728</u>	<u>\$ 172,821</u>	<u>\$ 5,506</u>	<u>\$ 1,730</u>

**Reconciliation to Statement of Net Assets:**

Total Fund Balances	\$ 301,140
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	13,186,255
Depreciation	(4,037,476)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(998,062)
Bond Debt	<u>(4,485,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,966,857</u>

The accompanying notes are an integral part of the financial statements.

**LEWIS COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS -**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 25,355</u>	<u>\$ 301,140</u>
<u>25,355</u>	<u>301,140</u>
383	59,850
	91,750
24,972	147,810
	1,730
<u>\$ 25,355</u>	<u>\$ 301,140</u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**LEWIS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,137,900	\$	\$	\$
Excess Fees	47,001			
Licenses and Permits	21,748			
Intergovernmental	327,830	1,793,188	381,596	386,058
Charges for Services	29,120		12,279	
Miscellaneous	112,216	312,899	27,870	
Interest	529	3,786	49	
Total Revenues	<u>1,676,344</u>	<u>2,109,873</u>	<u>421,794</u>	<u>386,058</u>
<b>EXPENDITURES</b>				
Current:				
General Government	632,044			
Protection to Persons and Property	42,905		884,292	
General Health and Sanitation	133,190			
Recreation and Culture	35,648			
Roads		1,695,692		
Debt Service:				
Principal	975,000	380,440		200,000
Interest	31,969	16,219		185,058
Administration	352,288	174,280	124,337	1,061
Total Expenditures	<u>2,203,044</u>	<u>2,266,631</u>	<u>1,008,629</u>	<u>386,119</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>(526,700)</u>	<u>(156,758)</u>	<u>(586,835)</u>	<u>(61)</u>
<b>Other Financing Sources (Uses)</b>				
Debt Issuance	900,000	70,500		
Transfers From Other Funds	112,177	60,000	565,000	
Transfers To Other Funds	(594,000)	(130,000)		
Total Other Financing Sources (Uses)	<u>418,177</u>	<u>500</u>	<u>565,000</u>	
Net Change in Fund Balances	(108,523)	(156,258)	(21,835)	(61)
Fund Balances - Beginning	204,251	329,079	27,341	1,791
Fund Balances - Ending	<u>\$ 95,728</u>	<u>\$ 172,821</u>	<u>\$ 5,506</u>	<u>\$ 1,730</u>

The accompanying notes are an integral part of the financial statements.



**LEWIS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 210,389	\$ 1,348,289
	47,001
	21,748
38,362	2,927,034
11,185	52,584
1,092	454,077
177	4,541
<u>261,205</u>	<u>4,855,274</u>
14,235	646,279
212,763	1,139,960
44,869	178,059
	35,648
	1,695,692
	1,555,440
	233,246
<u>25,404</u>	<u>677,370</u>
<u>297,271</u>	<u>6,161,694</u>
<u>(36,066)</u>	<u>(1,306,420)</u>
	970,500
75,000	812,177
<u>(88,177)</u>	<u>(812,177)</u>
<u>(13,177)</u>	<u>970,500</u>
(49,243)	(335,920)
74,598	637,060
<u>\$ 25,355</u>	<u>\$ 301,140</u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**LEWIS COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (335,920)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	123,388
Asset Disposal, Net Book Value	(3,000)
Disposal of Asset Held for Resale	(299,280)
Depreciation Expense	(465,794)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Debt Issuance	(970,500)
Financing Obligations Payments	1,355,440
Bond Payments	<u>200,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (395,666)</u></u>
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**LEWIS COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**





**LEWIS COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 13,473
Total Current Assets	<u>13,473</u>
 Total Assets	 <u>13,473</u>
 <b>Net Assets</b>	
Unrestricted	13,473
Total Net Assets	<u><u>\$ 13,473</u></u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**LEWIS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Commissions on Sales	\$ 30,975
Total Operating Revenues	<u>30,975</u>
<b>Operating Expenses</b>	
Cost of Sales	3,186
Fiscal Court Reimbursements	4,000
Education & Recreation	4,457
Supplies	5,883
Work Release	6,124
Miscellaneous	119
Total Operating Expenses	<u>23,769</u>
Operating Income (Loss)	<u>7,206</u>
<b>Nonoperating Revenues</b>	
Interest Income	26
Total Nonoperating Revenues	<u>26</u>
<b>Net Income</b>	7,232
Total Net Assets - Beginning	6,241
Total Net Assets - Ending	<u><u>\$ 13,473</u></u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**





**LEWIS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash Receipts From Customers For Sales	\$ 30,975	
Cash Payments To Vendors For Supplies	(9,069)	
Cash Payments To Fiscal Court For Reimbursements	(4,000)	
Cash Payments For Education & Recreation	(4,457)	
Cash Payments For Work Release	(6,124)	
Cash Payments For Miscellaneous	(119)	
Net Cash Provided By Operating Activities	<u>7,206</u>	
<b>Cash Flows From Investing Activities</b>		
Interest Earned	<u>26</u>	
Net Cash Provided By Investing Activities	<u>26</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	7,232	
Cash and Cash Equivalents - July 1	<u>6,241</u>	
Cash and Cash Equivalents - June 30	<u><u>\$ 13,473</u></u>	

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**LEWIS COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>Agency Fund</b></u>
	<u><b>Jail</b></u>
	<u><b>Inmate</b></u>
	<u><b>Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$      4,105
Total Assets	<u>4,105</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>4,105</u>
Total Liabilities	<u>4,105</u>
<b>Total Net Assets</b>	<u><u>\$           0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Lewis County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Lewis County has no discretely presented component units.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Lewis County Public Properties Corporation**

The Lewis County Fiscal Court must approve issue of bonded debt for the Public Properties Corporation; therefore, the Public Properties Corporation is fiscally dependent. In addition, the fiscal court leases the Justice Center from the Public Properties Corporation for the amount of the bond payments.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Lewis County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Lewis County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Lewis County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.



**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Public Properties Corporation Fund** - The purpose of this fund is to account for funds received from a bond issuance. The funds may be used for completing major public parks land acquisition and development and for remodeling the Lewis County Courthouse.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, Animal Shelter Fund, Emergency 911 Fund, Illegal Dumps Fund, Community Development Block Grant Recovery Fund and Special Escrow Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Animal Shelter Fund, Emergency 911 Fund, Illegal Dumps Fund, Community Development Block Grant Recovery Fund and Special Escrow Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund:**

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund – This fund account is used to account for surplus funds received from the inmates of the County for the purchase of non-necessity items while in jail. Any funds that are not claimed, they will be turned over to the Kentucky State Treasurer in accordance with KRS 393.090 and KRS 392.110.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 10,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). On August 31, 2009, the primary government's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the County's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$162,077

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity		
	Beginning Balance (Restated)	Increases	Decreases
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 512,900	\$	\$ 512,900
Total Capital Assets Not Being Depreciated	512,900		512,900
Capital Assets, Being Depreciated:			
Buildings	8,171,738		8,171,738
Other Equipment	443,351		443,351
Vehicles and Equipment	1,464,065	123,388	(16,400)
Infrastructure	2,487,213		2,487,213
Total Capital Assets Being Depreciated	12,566,367	123,388	(16,400)
Less Accumulated Depreciation For:			
Buildings	(2,044,698)	(193,890)	(2,238,588)
Other Equipment	(104,168)	(33,991)	(138,159)
Vehicles and Equipment	(822,572)	(96,827)	13,400
Infrastructure	(613,644)	(141,086)	(754,730)
Total Accumulated Depreciation	(3,585,082)	(465,794)	13,400
Total Capital Assets, Being Depreciated, Net	8,981,285	(342,406)	(3,000)
Governmental Activities Capital Assets, Net	<u>\$ 9,494,185</u>	<u>\$ (342,406)</u>	<u>\$ (3,000)</u>

Depreciation expense was charged to functions of the governmental activities as follows:

<b>Governmental Activities:</b>	
General Government	\$ 168,782
Protection to Persons and Property	76,256
General Health and Sanitation	11,919
Roads, Including Depreciation of General Infrastructure Assets	<u>208,837</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 465,794</u>

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Short-term Debt**

On December 1, 2009, Lewis County entered into a lease agreement in the amount of \$900,000 with U.S. Bank to pay off a lease agreement with Kentucky Area Development District for renovations on the Lewis County Detention Center. The four month lease agreement matured on March 1, 2010, on which date the lease was renewed for an additional six months and matured on September 1, 2010.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$	\$ 900,000	\$	\$ 900,000	\$ 900,000
Governmental Activities					
Short-term Liabilities	\$ 0	\$ 900,000	\$ 0	\$ 900,000	\$ 900,000

**Note 5. Long-term Debt**

**A. Public Properties Corporation**

In November 2005, the Lewis County Public Properties Corporation issued \$5,420,000 in First Mortgage Revenue Refunding Bonds for the purpose of defeasing the 2005 First Mortgage Revenue Bond Issue.

The Lewis County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Justice Center.

Lewis County and the Public Properties Corporation acted as agents for the AOC in order to plan, design, and construct the Justice Center. They are now acting as agents for the AOC in managing and maintaining the Justice Center. The Public Properties Corporation and the county expect annual rentals for the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided by in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service requirements for the bonds.

The use allowance payment commenced with the occupancy of the Justice Center by the AOC. The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 2026, but the lease does not obligate the AOC to do so. These bonds are scheduled to mature in March 2026; interest payments are due every six months starting March 2006 and interest payments are due annually beginning March 2006. At June 30, 2010, the principal outstanding on these bonds was \$4,485,000. Future bond principal and interest requirements are:

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**A. Public Properties Corporation (Continued)**

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 210,000	\$ 177,157
2012	215,000	168,862
2013	225,000	160,370
2014	235,000	151,482
2015	245,000	142,000
2016-2020	1,365,000	559,318
2021-2025	1,660,000	267,218
2026	330,000	13,035
Totals	<u>\$ 4,485,000</u>	<u>\$ 1,639,442</u>

**B. Detention Center**

On November 19, 1998, Lewis County entered into a lease agreement with Kentucky Area Development District for renovations on Lewis County Detention Center in the amount of \$1,500,000. In November 2009, the County made a \$75,000 principal payment on the lease. In December 2009, the Kentucky Area Development District was paid in full and the County entered into a short-term lease agreement with U.S. Bank.

**C. Wheel Loader**

On August 16, 2007, Lewis County entered into an agreement with Kentucky Association of Counties Leasing Trust to finance the purchase of a loader in the amount of \$127,602. The principal outstanding as of June 30, 2010 was \$98,062. The future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2011	\$ 11,242	\$ 4,078
2012	11,951	3,667
2013	12,705	3,148
2014	13,507	2,597
2015	14,360	2,010
2016-2018	34,297	2,169
Totals	<u>\$ 98,062</u>	<u>\$ 17,669</u>



**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Mack Trucks**

On March 10, 2009, Lewis County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$299,280 to refinance the short-term debt associated with the purchase of the Mack trucks that are being held for resale. In March 2010, the county sold the trucks and paid the lease in full.

**E. Backhoe**

On July 21, 2009, Lewis County entered into an agreement with the Kentucky Association of Counties Leasing Trust to purchase a backhoe in the amount of \$70,500. On September 17, 2009, the lease was paid in full.

**F. Changes In Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,685,000	\$	\$ 200,000	\$ 4,485,000	\$ 210,000
Financing Obligations	1,383,002	70,500	1,355,440	98,062	11,242
Governmental Activities					
Long-term Liabilities	<u>\$ 6,068,002</u>	<u>\$ 70,500</u>	<u>\$ 1,555,440</u>	<u>\$ 4,583,062</u>	<u>\$ 221,242</u>

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent. The county's contribution for FY 2008 was \$223,034, FY 2009 was \$193,288, and FY 2010 was \$246,226.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 7. Deferred Compensation**

In July 2003, the Lewis County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2010, Lewis County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Related Party Transactions**

Magistrate Joe Bentley's father owns a hardware business that sold various items to the County totaling \$11,379. In addition, the County Treasurer disclosed that \$850 was paid by the County to a Limited Liability Company that the County Treasurer was a member of as of June 30, 2010.

**Note 10. Prior Period Adjustments**

Beginning net assets of governmental activities has been restated by \$15,707 to increase accumulated depreciation for buildings. Ending cash balance of the Public Properties Corporation has been restated by \$67.

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**



**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,100,050	\$ 1,100,050	\$ 1,137,900	\$ 37,850
In Lieu Tax Payments	50	50		(50)
Excess Fees	55,000	55,000	47,001	(7,999)
Licenses and Permits	16,000	16,000	21,748	5,748
Intergovernmental Revenue	366,200	366,200	327,830	(38,370)
Charges for Services	28,150	28,150	29,120	970
Miscellaneous	57,360	57,360	112,216	54,856
Interest	500	500	529	29
Total Revenues	<u>1,623,310</u>	<u>1,623,310</u>	<u>1,676,344</u>	<u>53,034</u>
<b>EXPENDITURES</b>				
General Government	577,083	660,033	632,044	27,989
Protection to Persons and Property	46,937	46,938	42,905	4,033
General Health and Sanitation	113,803	154,309	133,190	21,119
Social Services	500	500		500
Recreation and Culture	77,000	77,000	35,648	41,352
Debt Service	126,165	126,165	106,969	19,196
Administration	592,187	468,730	352,288	116,442
Total Expenditures	<u>1,533,675</u>	<u>1,533,675</u>	<u>1,303,044</u>	<u>230,631</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>89,635</u>	<u>89,635</u>	<u>373,300</u>	<u>283,665</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	100,000	100,000	112,177	12,177
Transfers To Other Funds	<u>(239,635)</u>	<u>(239,635)</u>	<u>(594,000)</u>	<u>(354,365)</u>
Total Other Financing Sources (Uses)	<u>(139,635)</u>	<u>(139,635)</u>	<u>(481,823)</u>	<u>(342,188)</u>
Net Changes in Fund Balance	(50,000)	(50,000)	(108,523)	(58,523)
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>204,251</u>	<u>154,251</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,728</u>	<u>\$ 95,728</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts,</b>	<b>Final Budget</b>
			<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,284,497	\$ 1,598,114	\$ 1,793,188	\$ 195,074
Miscellaneous	287,500	313,651	312,899	(752)
Interest	2,500	2,500	3,786	1,286
Total Revenues	1,574,497	1,914,265	2,109,873	195,608
<b>EXPENDITURES</b>				
Roads	1,088,734	1,765,945	1,625,192	140,753
Debt Service	324,000	396,659	396,659	
Administration	261,763	301,661	174,280	127,381
Total Expenditures	1,674,497	2,464,265	2,196,131	268,134
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(100,000)	(550,000)	(86,258)	463,742
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			60,000	60,000
Transfers To Other Funds	(100,000)	(100,000)	(130,000)	(30,000)
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(70,000)	30,000
Net Changes in Fund Balance	(200,000)	(650,000)	(156,258)	493,742
Fund Balance - Beginning	200,000	200,000	329,079	129,079
Fund Balance - Ending	\$ 0	\$ (450,000)	\$ 172,821	\$ 622,821

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts,</b>	<b>Final Budget</b>
			<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 578,600	\$ 578,600	\$ 381,596	\$ (197,004)
Charges for Services	19,500	19,500	12,279	(7,221)
Miscellaneous	9,850	9,850	27,870	18,020
Interest	100	100	49	(51)
Total Revenues	608,050	608,050	421,794	(186,256)
<b>EXPENDITURES</b>				
Protection to Persons and Property	700,388	916,023	884,292	31,731
Administration	121,797	206,162	124,337	81,825
Total Expenditures	822,185	1,122,185	1,008,629	113,556
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(214,135)	(514,135)	(586,835)	(72,700)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	213,835	213,835	565,000	351,165
Total Other Financing Sources (Uses)	213,835	213,835	565,000	351,165
Net Changes in Fund Balance	(300)	(300,300)	(21,835)	278,465
Fund Balance - Beginning	300	300	27,341	27,041
Fund Balance - Ending	\$ 0	\$ (300,000)	\$ 5,506	\$ 305,506

**LEWIS COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of General Fund**

Total Expenditures	\$ 1,303,044
Less: Payment on Short Term Borrowing	<u>900,000</u>
Total Expenditures	<u><u>\$ 2,203,044</u></u>
Other Financing Sources	\$ (481,823)
Add: Payment on Short Term Borrowing	<u>900,000</u>
Total Other Financing Sources (Uses) to Statement	<u><u>\$ 418,177</u></u>

**Reconciliation of Road Fund**

Total Expenditures	\$ 2,196,131
Plus: Expenditures for Purchase of Equipment	<u>70,500</u>
Total Expenditures	<u><u>\$ 2,266,631</u></u>
Other Financing Sources (Uses)	\$ (70,000)
Plus: Proceeds from Financing Obligation	<u>70,500</u>
Total Other Financing Sources (Uses) to Statement	<u><u>\$ 500</u></u>



**LEWIS COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
  
**For The Year Ended June 30, 2010**

**LEWIS COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>LGEA Fund</b>	<b>CDBG Fund</b>	<b>Animal Shelter Fund</b>	<b>Emergency 911 Fund</b>	<b>Illegal Dumps Fund</b>	<b>CDBG Recovery Fund</b>	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,413	\$ 1	\$ 932	\$ 6,580	\$ 15,748	\$ 1	.
Total Assets	<u>1,413</u>	<u>1</u>	<u>932</u>	<u>6,580</u>	<u>15,748</u>	<u>1</u>	:
<b>FUND BALANCES</b>							
Reserved For:							
Encumbrances			383				
Unreserved:							
Special Revenue Funds	<u>1,413</u>	<u>1</u>	<u>549</u>	<u>6,580</u>	<u>15,748</u>	<u>1</u>	.
Total Fund Balances	<u>\$ 1,413</u>	<u>\$ 1</u>	<u>\$ 932</u>	<u>\$ 6,580</u>	<u>\$ 15,748</u>	<u>\$ 1</u>	:

The accompanying notes are an integral part of the financial statements.

**LEWIS COUNTY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2010**  
**(Continued)**

<b>Special Escrow Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 680</u>	<u>\$ 25,355</u>
<u>680</u>	<u>25,355</u>
	383
<u>680</u>	<u>24,972</u>
<u>\$ 680</u>	<u>\$ 25,355</u>

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

**LEWIS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>LGEA Fund</b>	<b>CDBG Fund</b>	<b>Animal Shelter Fund</b>	<b>Emergency 911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 210,389
Intergovernmental	17,000		634	
Charges for Services			1,185	10,000
Miscellaneous			1,092	
Interest	19		6	36
Total Revenues	<u>17,019</u>	<u></u>	<u>2,917</u>	<u>220,425</u>
<b>EXPENDITURES</b>				
General Government	14,235			
Protection to Persons and Property				212,763
General Health and Sanitation			37,714	
Administration	831			24,573
Total Expenditures	<u>15,066</u>	<u></u>	<u>37,714</u>	<u>237,336</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,953</u>	<u></u>	<u>(34,797)</u>	<u>(16,911)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			35,000	10,000
Transfers To Other Funds	(16,000)			
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u></u>	<u>35,000</u>	<u>10,000</u>
Net Change in Fund Balances	(14,047)		203	(6,911)
Fund Balances - Beginning	15,460	1	729	13,491
Fund Balances - Ending	<u>\$ 1,413</u>	<u>\$ 1</u>	<u>\$ 932</u>	<u>\$ 6,580</u>

The accompanying notes are an integral part of the financial statements.

**LEWIS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Illegal Dumps Fund</b>	<b>CDBG Recovery Fund</b>	<b>Special Escrow Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$
15,727	5,001		210,389
			38,362
			11,185
			1,092
39		77	177
15,766	5,001	77	261,205
			14,235
			212,763
2,155	5,000		44,869
			25,404
2,155	5,000		297,271
13,611	1	77	(36,066)
		30,000	75,000
(12,177)		(60,000)	(88,177)
(12,177)		(30,000)	(13,177)
1,434	1	(29,923)	(49,243)
14,314		30,603	74,598
\$ 15,748	\$ 1	\$ 680	\$ 25,355

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Steven Applegate, Former Lewis County Judge/Executive  
The Honorable Thomas H. Massie, Lewis County Judge/Executive  
Members of the Lewis County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 22, 2011. Lewis County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lewis County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewis County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis County Fiscal Court's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lewis County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2010-01.

The former Lewis County Judge/Executive's response to the finding identified in our audit is included in the comment and recommendation. We did not audit the former County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

March 22, 2011

**LEWIS COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2010**



**LEWIS COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2010**

STATE LAWS AND REGULATIONS

2010-01 The Jailer Or Supervisor Should Review And Approve All Timesheets

During our review of timesheets, we found that the timesheets for employees at the Jail were not adequately reviewed. The Jailer or designated supervisor should review and sign-off on all timesheets in order to substantiate hours worked. We found one instance where an employee forgot to clock out. Any adjustment that needs to be made on the timesheet, such as an employee forgetting to sign out, should be marked on the timesheet and initialed by the supervisor. We recommend all timesheets be reviewed by the Jailer or designated supervisor in order to confirm the validity of the hours worked by all employees.

*Former County Judge/Executive Steven Applegate Response: Current Administration should address this issue.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**LEWIS COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



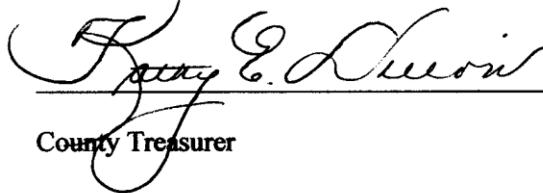
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**LEWIS COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2010**

The Lewis County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to be "J. L. Dwyer", written over a horizontal line.

Former County Judge/Executive

A handwritten signature in black ink, appearing to be "Ray E. Duvon", written over a horizontal line.

County Treasurer

